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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION

PENTHOUSE GLOBAL MEDIA,
 INC., a Delaware corporation,
 GENERAL MEDIA
 COMMUNICATIONS, INC., a New
 York corporation,

Plaintiffs,

v.

GUCCIONE COLLECTION, LLC, a
 Delaware limited liability company,
 JEREMY FROMMER, an individual,
 RICK SCHWARTZ, an individual,
 JERRICK MEDIA HOLDINGS, INC.,
 a Nevada corporation, JERRICK
 VENTURES, INC., a Nevada
 corporation, JERRICK VENTURES
 LLC, FILTHY GORGEOUS MEDIA,
 LLC, PARADOX LLC, a California
 limited liability company, JARED
 LETO, an individual, and DOES 1-100,
 inclusive,

Defendants.

Case No.: 2:17-CV-04980-PA (FFMx)

**DEFENDANTS' REPLY
 MEMORANDUM IN FURTHER
 SUPPORT OF THEIR MOTION TO
 DISMISS AND/OR STAY THE
 FIRST AMENDED COMPLAINT**

Judge: Hon. Percy Anderson

Date: Monday, November 20, 2017

Time: 1:30 p.m.

Courtroom: 9A

Complaint Filed: July 6, 2017

First Am. Cmplt. Filed: Aug. 30, 2017

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Defendants¹ submit this reply memorandum in further support of their motion to dismiss the FAC or, in the alternative, stay this action pending a determination by the TTAB.

Preliminary Statement

In opposition, Plaintiffs fail to offer any reasonable basis upon which this action should proceed before this Court. Plaintiffs ignore the Court's power to dismiss or stay actions where there is a prior pending action before an administrative body concerning the same core facts and issues, as well as its inherent discretion to manage its own docket -- especially in light of the bad faith conduct exhibited by Plaintiffs which they do not challenge. Beyond that, Plaintiffs offer meritless arguments that they have standing to pursue claims related to OMNI and that they are somehow permitted to ignore an unambiguous precondition to suit against Defendants.

Finally, Plaintiffs merely repeat conclusory allegations in support of claims against the Individual Defendants which are insufficient to sustain any claim for relief against them.

Accordingly, this action should be dismissed outright or, at a minimum, stayed pending resolution of the TTAB Proceeding.

Argument

I. The Material Submitted on the Motion is Appropriately Considered by the Court

In support of their motion, Defendants submitted (i) filings from the TTAB Proceeding, (ii) records from bankruptcy court proceedings, and (iii) a settlement agreement between Guccione Collection and General Media. Plaintiffs apparently contend that the Court may not consider these documents because they are "extrinsic

¹ Capitalized terms used herein shall have the same meaning as in Defendants' Memorandum in Support of the Motion to Dismiss and/or Stay, Docket No. 34-1 (the "Moving Brief" or "Moving Br.").

1 evidence.”² Plaintiffs are wrong.

2 *First*, as noted in the Moving Brief, publicly available court and TTAB filings
3 may be considered on the motion. *See, e.g., Nextdoor.Com, Inc. v. Abhyanker*, C-
4 12-5667 EMC, 2013 WL 3802526, at *8 (N.D. Cal. July 19, 2013) (“[C]ourts ‘may
5 take judicial notice of court filings and other matters of public record,’ the state
6 court, and TTAB filings are the proper subject of judicial notice here.”); *Sensible*
7 *Foods, LLC v. World Gourmet, Inc.*, 11-2819 SC, 2012 WL 566304, at *4 (N.D.
8 Cal. Feb. 21, 2012).

9 *Second*, the Court may consider material incorporated by reference to the
10 FAC on a motion to dismiss. *See, e.g., Indep. Taxi Owners Assn. v. Pub. Livery Ins.*
11 *Servs. Inc.*, CV085199GHKAGRX, 2008 WL 11338187, at *1 (C.D. Cal. Sept. 30,
12 2008) (“We may properly consider [a document submitted on a motion to dismiss]
13 because it was incorporated by reference in the complaint and no party disputes its
14 authenticity.”); *Coto Settle. v. Eisenberg*, 593 F.3d 1031, 1038 (9th Cir. 2010) (“We
15 have extended the doctrine of incorporation by reference to consider documents in
16 situations where the complaint necessarily relies upon a document or the contents of
17 the document are alleged in a complaint, the document’s authenticity is not in
18 question and there are no disputed issues as to the document’s relevance.”). The
19 FAC explicitly references filings in the 2013 Action (FAC ¶ 22) and before the
20 TTAB (FAC ¶¶ 30-31) which were submitted as part of the motion. Further, the
21 FAC also explicitly references the 2013 Action, which allows for the introduction of
22 the settlement agreement in that case. (FAC ¶ 22) *See, e.g., Willis Corroon Corp.*
23 *of Utah, Inc. v. United Capitol Ins. Co.*, 97-2208 MHP, 1998 WL 30069, at *3 (N.D.
24 Cal. Jan. 5, 1998).

25 Consequently, all of the documents submitted by Defendants may be
26

27
28 ² Tellingly, Plaintiffs fail to identify exactly which documents they consider to be
“extrinsic” to the motion.

1 considered by the Court in determining the motion.³

2 **II. The First to File Rule Warrants Dismissal and/or Stay of this Action**

3 As set forth in the Moving Brief, this action should be dismissed and/or
 4 stayed in favor of the TTAB Proceeding, which was commenced over a year before
 5 this action (and which may have been fully submitted to the TTAB for consideration
 6 but for the bad faith actions by Weintraub and Penthouse). (See Moving Br. at pp.
 7 8-12) Plaintiff's opposition is notable in that it did not contest, let alone address,
 8 any of the facts presented relating to the TTAB Proceeding—including that
 9 Weintraub delayed the TTAB Proceeding for months under the guise of settlement
 10 negotiations—acknowledging their bad faith conduct that should not be rewarded
 11 with opening another litigation front here before the TTAB proceeding concludes.

12 Plaintiffs contend that the first-to-file rule is inapplicable, though they neither
 13 dispute that the TTAB Proceeding was commenced over a year before this action
 14 nor that the parties and core issues are the same in both proceedings. Rather,
 15 Plaintiffs argue that certain claims in this action are different than before the TTAB.
 16 (Pltfs. Br. at pp. 15-16, n. 1)

17 Plaintiffs' argument that the first-to-file rule only applies to district court
 18 proceedings is without legal support. The Ninth Circuit has held that district courts
 19 can defer to previously filed actions "whether the separate proceedings are judicial,
 20 administrative, or arbitral in character." *Levy v. Certified Grocers of Cal. Ltd.*, 593
 21 F.2d 857, 863 (9th Cir. 1979). It is of no moment that this doctrine is typically
 22 invoked in first-filed federal actions. And, Plaintiffs cite no authority supporting
 23 their position that the doctrine does *not* apply to proceedings before administrative
 24 bodies, such as the TTAB.

25 Further, as noted in the moving brief, the first-to-file rule does not require

27 ³ Because the Court may properly consider these documents on the motion,
 28 conversion of the motion to one for summary judgment is not necessary or
 warranted. (*Contra* Pltfs. Br. at p. 14)

complete identity of issues, and applies even if the subsequently filed claim asserts additional claims. *See, e.g., Wallerstein v. Dole Fresh Vegetables, Inc.*, 967 F. Supp. 2d 1289, 1296 (N.D. Cal. 2013) (“The issues need not be precisely identical for the first-to-file rule to apply; the rule can apply even if the later-filed action brings additional claims.”); *accord Inherent.com v. Martindale-Hubbell*, 420 F. Supp. 2d 1093 (N.D. Cal. 2006); *see also PETA, Inc. v. Beyond the Frame, Ltd.*, CV 10-07576 MMM SSX, 2011 WL 686158, at *2 (C.D. Cal. Feb. 16, 2011) (holding that “Courts in the Ninth Circuit have adopted a flexible approach in evaluating the similarity of the parties and issues,” and collecting cases finding that the rule only requires a substantial overlap of issues).

A simple review of the FAC and what was filed in the TTAB Proceeding reveal that the core issues regarding the OMNI rights are virtually identical and that resolution of these issues before the TTAB will serve the interests of judicial efficiency. (*See* Moving Br. at pp. 10-11) The suggestion that the “the validity of Penthouse’s OMNI trademarks” is only a minor aspect of this action (Pltfs. Br. at pp. 15-16) is disingenuous and ignores that Plaintiffs’ ability to assert the majority of their claims herein completely depends on whether they validly hold rights to OMNI.

Plaintiffs cannot combat that judicial efficiency will be promoted by the dismissal or stay of this action in favor of the TTAB Proceeding, as the TTAB (which has particular expertise in trademark issues) can efficiently resolve the parties’ trademark disputes and either streamline or completely eliminate the bulk of the claims here.⁴ *See, e.g., V.V.V. & Sons Edible Oils Ltd. v. Meenakshi Overseas LLC*, No. 2:14-CV-02961 (TLN) (CKD), 2016 WL 1268008, *4–6 (E.D. Cal. Mar. 31, 2016) (staying district court trademark infringement action in its infancy in favor

⁴ Plaintiffs concede *sub silentio* that they will suffer no prejudice as a result of a stay.

1 of the determination in a TTAB proceeding and appeal therefrom); *Microchip Tech.,*
2 *Inc. v. Motorola, Inc.*, CIV.A. 01-264-JJF, 2002 WL 32332753, at *3-4 (D. Del.
3 May 28, 2002) (staying action, in the interests of judicial efficiency, pending
4 resolution of trademark issues by the TTAB, despite the fact that the TTAB
5 previously stayed its proceeding in favor of a determination by the district court).
6 And, as acknowledged by Plaintiffs, the TTAB's determination on trademark issues
7 gives preclusive effect to the District Court's consideration of the same issues. *See*
8 *B & B Hardware, Inc. v. Hargis Indus. Inc.*, 135 S. Ct. 1293, 1305-06 (2015).

9 In support of their argument, Plaintiffs reference *Rhodes v. Avon Prods., Inc.*,
10 504 F.3d 1151 (9th Cir. 2007) which did not even consider the first-to-file rule that
11 is at issue here; rather, it denied a motion to dismiss based on the primary
12 jurisdiction doctrine which is only applied in limited circumstances. Similarly,
13 Plaintiff's attempt to distinguish *Kealy v. Alterra Excess & Surplus Ins. Co.*, CV 13-
14 8656-JFW (JCX), 2013 WL 12147591 (C.D. Cal. Dec. 20, 2013) on the basis that
15 there was a "substantial overlap of the factual issues" between the two actions,
16 ignoring that is precisely the situation here.

17 Finally, the suspension of the TTAB Proceeding is not dispositive of
18 dismissal or stay of this action. *See* TBMP § 510.02(b) ("[I]f, as sometimes
19 happens, the court before which a civil action is pending elects to suspend the civil
20 action to await determination of the Board proceeding and the Board is so advised,
21 the Board will go forward with its proceeding."). Indeed, as per its standard policy,
22 TTAB merely suspending the proceeding because of a pending action before the
23 Court. The Court certainly has the authority to dismiss or stay this action in favor of
24 the TTAB Proceeding, which is especially appropriate based on Weintraub's and
25 Penthouse's conduct.

26 Accordingly, this action should be dismissed or stayed in favor of the TTAB
27 Proceeding.
28

1 **III. Plaintiffs Fail to Overcome Their Lack of Standing**

2 As noted in the Moving Brief, Plaintiffs lack standing to assert any claims
 3 related to OMNI because Weintraub transferred her purported rights to a dissolved
 4 Wyoming entity, rendering such transfer void *ab initio*. (Moving Br. at pp. 12-13)
 5 Plaintiffs concede the facts regarding the status of the Wyoming entity at the time of
 6 transfer, but assert that their rights are valid because the entity (Alpha Cygni) was
 7 subsequently reinstated (*after* this action was commenced and *after* Defendants
 8 raised this point to the TTAB). They rely on the fact that Wyoming provides that
 9 restatement of a corporation “relates back to and takes effect as of the effective date
 10 of the administrative dissolution.” However, the fact that a corporation may operate
 11 as if the dissolution never occurred in no respect serves to ratify actions taken while
 12 the entity was dissolved. (*See* Moving Br. at p. 12 n.11) Plaintiffs cite no authority
 13 to the contrary. (Indeed, they fail to address this point in their brief.)

14 **IV. Plaintiffs’ Claims Are Barred, in Part, by the Applicable Statutes of** 15 **Limitations**

16 In opposition, Plaintiffs concede that their copyright infringement, false
 17 advertising, and unjust enrichment claims are time-barred to the extent they relate to
 18 Defendants’ purported actions more than three years prior to the commencement of
 19 this action. (Pltfs. Br. at pp. 20-22) Plaintiffs’ assertion that their claims are
 20 predicated solely on actions taken within the past two years is belied by the
 21 numerous allegations in the FAC concerning Defendants’ supposedly infringing
 22 conduct dating back to 2013. (*See, e.g.* FAC at ¶¶ 20-22, 30-31)

23 Consequently, these claims should be dismissed to the extent they relate to
 24 conduct that occurred outside the limitations period.

25 **V. There is No Basis for Any Claims Against the Individual Defendants**

26 Plaintiffs fail to offer anything more than conclusory allegations against the
 27 Individual Defendants which cannot sustain any claim for relief.
 28

1 *First*, Plaintiffs fail to offer anything even remotely connecting Leto to any
 2 alleged infringement. Plaintiffs rely solely on the allegation that Leto entered into a
 3 transaction with Jerrick Media (through his entity, Paradox⁵). Standing alone, this
 4 allegation fails to state any cognizable claim for relief against Leto. (*See* Moving
 5 Br. at pp. 16-17)

6 Similarly, the claims against Frommer and Schwartz should be dismissed
 7 because the FAC fails to allege any specific, non-conclusory allegations that they
 8 were the “active, conscious forces” behind any infringement. (*See* Moving Br. at
 9 pp. 14-16) In opposition, Plaintiffs contend they can assert claims against Frommer
 10 because he obtained the physical materials they claim have been infringed. (Pltfs.
 11 Br. at pp. 22) However, Plaintiffs allege in the FAC that, after purchasing the items,
 12 Frommer assigned them to Guccione Collection. (FAC ¶ 19) That Frommer
 13 received a notice of purported infringement in 2013 is therefore of no consequence,
 14 and, in any event, ignores that this same notice was provided to Guccione
 15 Collection. (FAC ¶ 20)

16 Further, Plaintiffs’ claim that Frommer and Schwartz “commenced plans to
 17 publish an infringing online magazine in 2013” (Pltfs. Br. at pp. 22) is wholly
 18 conclusory and ignores that such any such infringement (assuming it happened) was
 19 committed by Jerrick.

20 Moreover, Plaintiffs fail to allege that Frommer and Schwartz “authorized,
 21 directed, actively participated in, or was the guiding spirit behind the alleged
 22 infringing activity,” as required to sustain any claims against them in their
 23 individual capacity. *See, e.g., Consumerinfo.com, Inc. v. Chang*, CV 09-3783-
 24 VBF(MANX), 2009 WL 10675736, at *2 (C.D. Cal. Dec. 31, 2009).

25 Finally, Plaintiffs essentially concede that they have failed to allege sufficient
 26

27
 28 ⁵ By their silence, Plaintiffs also concede that they have failed to allege any viable
 claim for relief against Paradox or Filthy Gorgeous. (*See* Moving Br. at pp. 16-
 17)

1 factual allegations to establish liability under an “alter ego” theory and therefore,
 2 request permission to amend their pleading, *for a second time*. (Pltfs. Br. at pp. 23-
 3 24) Plaintiffs fail to offer any rationale or basis for another amendment, aside from
 4 the vague claim that evidence on alter ego liability is in Defendants’ hands. (Pltfs.
 5 Br. at pp. 23-24) This does not suffice. *See, e.g., Eldorado Stone, LLC v.*
 6 *Renaissance Stone, Inc.*, 04CV2562 JM LSP, 2005 WL 5517732, at *8 (S.D. Cal.
 7 May 31, 2005) (“Conclusory allegations, standing alone, may indicate that the
 8 plaintiff is engaged in a fishing expedition. . . . Plaintiffs’ conclusory allegations that
 9 these individual defendants are the alter ego of Renaissance are insufficient as a
 10 matter of law.”); *Dichter-Mad Fam. Partners, LLP v. U.S.*, 707 F. Supp. 2d 1016,
 11 1052 (C.D. Cal. 2010), *aff’d*, 709 F.3d 749 (9th Cir. 2013) (“[I]t is important to
 12 remember that the Rule 8 pleading requirements prevent parties from
 13 filing complaints in order to conduct aimless fishing expeditions in the hope that
 14 some helpful evidence might possibly be uncovered.”).

15 Finally, any request for further amendment should be denied as futile, as
 16 Plaintiffs have not articulated how they could possibly remedy the deficiencies with
 17 the FAC. *See, e.g., Boulware v. Dept. of Ins.*, CV 09-4325-DMB (E), 2010 WL
 18 1873292, at *8 (C.D. Cal. Jan. 28, 2010) (denial of leave to amend appropriate
 19 where amendment would be futile).

20 Consequently, the claims against the Individual Defendants should be
 21 dismissed.

22 **VI. The Settlement Agreement Applies to the Parties and Claims in this** 23 **Action**

24 Plaintiffs concede that they did not comply with the terms of the Guccione
 25 Collection-General Media Settlement Agreement. They claim that the agreement
 26 does not bar their claims because “Penthouse’s alleged failure to exhaust contractual
 27 remedies before filing does not appear on the face of the FAC.” Plaintiffs are
 28 wrong. The FAC alleges that, as part of the bankruptcy action between Guccione

1 Collection and General Media, “[b]oth the complaint and counterclaim were later
 2 mutually dismissed without prejudice and no ruling on the merits of any of the
 3 claims or counterclaims.” (FAC ¶ 22) Courts have dismissed similar cases on this
 4 basis alone. *See, e.g., Willis Corroon Corp*, 1998 WL 30069, at *2-4 (considering
 5 settlement agreement on a motion to dismiss, and holding that the “motion to
 6 dismiss procedure may be used to enforce settlement agreement terms which
 7 prescribe procedures for or limitations on further litigation, and courts have
 8 interpreted such agreements to establish bars to the maintenance of a civil action”).

9 Plaintiffs reference *Columbia Cas. Co. v. Cottage Health System*,
 10 CV1503432DDPAGRX, 2015 WL 4497730, at *2 (C.D. Cal. July 17, 2015) for the
 11 proposition that, if the failure to exhaust non-judicial remedies is not clear from the
 12 face of the complaint, then the defendant must move for summary judgment, not a
 13 motion to dismiss. Yet, in *Columbia Casualty Co.*, the court actually dismissed a
 14 complaint for failure to adhere to the ADR clause in an agreement that was
 15 incorporated by reference in the complaint. *See id.* at *2 (“The complaint does not
 16 allege that Plaintiff abided by the ADR clause in filing the action; nor, indeed, has
 17 Plaintiff argued otherwise. That Plaintiff has not exhausted the non-judicial
 18 remedies required by the contract is therefore apparent on the face of the
 19 complaint.”). The same should apply here.

20 Plaintiffs’ argument that the clause “have at least one meeting of principals . .
 21 . to try to resolve the matter to filing a lawsuit” is ambiguous and not a condition
 22 precedent (Pltfs. Br. at 25) is similarly without merit. The language of the
 23 Settlement Agreement is clear:

24 in the event that either Party believes it has a claim against the other,
 25 the Parties must take commercially reasonable efforts to have at least
 26 one meeting of principals, which may be by telephone, to try to resolve
 the matter prior to filing a lawsuit. Any such request for a meeting
 must be in writing.

27 If the Court were to determine this clause is *not* a condition precedent, it would
 28 render it a nullity. *See, e.g., Geibel v. Sears, Roebuck and Co.*, 86 F.3d 1162 (9th

1 Cir. 1996) (“We do not find the language of the agreement to be reasonably
 2 susceptible to this interpretation for several reasons. First, such an interpretation
 3 would violate one of the cardinal rules of contractual interpretation by rendering the
 4 prerequisites to the tolling provision an effective nullity.”).

5 Plaintiffs also note that the Settlement Agreement is silent as to whether
 6 Guccione Collection could continue to use *Caligula* (Pltfs. Br. at pp. 26), but this is
 7 exactly the point. The parties were actively litigating the rights to *Caligula* and
 8 settled the matter without any provision curtailing its supposedly infringing use (and
 9 Plaintiffs never pursued any such claims). (*See* Moving Br. at pp. 18)

10 Moreover, the argument that “any effort to confer with Guccione Collection
 11 would have been futile” because Guccione Collection is a dissolved entity is without
 12 merit. By its terms, the Settlement Agreement inures to Guccione Collection’s
 13 “beneficiaries, parents, affiliates, subsidiaries, directors, officers, partners, owners,
 14 agents, servants, employees, administrators, representatives, attorneys, successors
 15 and assigns,” which Plaintiffs acknowledge includes Jerrick.

16 Consequently, this action should be dismissed because Plaintiffs failed to
 17 comply with a necessary precondition to suit contained in the Settlement
 18 Agreement.

19 **VII. Plaintiffs’ Claim for Unfair Competition Fails**

20 Plaintiffs’ claim for unfair competition fails because the FAC fails to allege,
 21 as required, injury to competition beyond the purported impact on Plaintiffs. (*See*
 22 Moving Br. at pp. 18) In opposition, Plaintiffs merely note that trademark
 23 infringement claims are a type of unfair competition, yet they fail to cite any support
 24 that this pleading requirement is somehow waived when it is a claim for unfair
 25 competition stemming from trademark infringement.

26 **VIII. The Declaratory Relief Claim Should be Dismissed as Duplicative**

27 Plaintiffs contend that the claim for declaratory relief is not duplicative
 28 because there is a *possibility* that Defendants may or may not “assert competing

rights in an alleged OMNI REBOOT trademark.” (Pltfs. Br. at pp. 27) However, whether Penthouse has rightful claims to the OMNI Marks necessarily determines whether Jerrick has competing rights to the proposed OMNI REBOOT mark (which proposed registration was rejected by the USPTO due to the OMNI registration). If it is determined -- whether by this Court or the TTAB -- that Plaintiffs are the rightful holders of the OMNI Marks, Jerrick has no claim to OMNI REBOOT (which has not even been registered as a trademark). Therefore, the claim for declaratory relief is clearly duplicative of the other claims for relief and should be dismissed.

Conclusion

Based on the foregoing, the FAC should be dismissed in its entirety, or, in the alternative, stayed pending resolution of the TTAB Proceeding. Alternatively, Defendants request that the Court: (1) dismiss claims related to Omni based on Plaintiffs’ lack of standing; (2) dismiss claims for copyright infringement, false advertising, unjust enrichment, and unfair competition based on the applicable statutes of limitations; (3) dismiss the claims against the Individual Defendants (Frommer, Schwartz, and Leto) and against Filthy Gorgeous Media LLC and Paradox LLC for failure to state a claim for relief; (4) dismiss the FAC for failure to comply with the Guccione Collection-General Media Settlement Agreement; (5) dismiss the unfair competition claims (the Sixth and Seventh Claims for Relief) for failure to state a claim for relief; and (6) dismiss the claim for declaratory relief (the Ninth Claim for Relief) as duplicative, together with such other and further relief as the Court may deem just and proper.

DATED: November 6, 2017

Respectfully submitted,

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